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Loan Guarantees and Settlements

Should there be "linkage" between them?

During the last few months, the matter of loan guarantees to Israel for the absorption of Jews from the former Soviet Union has been a subject of intense discussion - by the Administration, in Congress, in the press, and on the part of the general public. The Administration had declared its willingness, in principle, to go ahead with the guarantees, provided however that Israel pledged promptly to discontinue settlements in Judea/Samaria, the so-called "West Bank".

What are the facts?

What is the purpose of the loan guarantees? For many years, it has been one of the major purposes of U.S. policy to persuade the former Soviet Union to allow free emigration of its citizens. Now that this lofty goal has finally been attained, the Jews of the country, its most endangered minority, have opted in large numbers to leave. A good number have chosen to come to the United States (our country has only a limited quota for them). The great majority have chosen Israel as their new homeland. So far, about 400,000 have come; a total of 1 million to 1.5 million are expected over the next five years.

Israel has a population of 4 or 5 million. The expected immigration is equivalent to an increase of 50-75 million in the United States - more than the population of our three or four most populous states. These people arrive virtually penniless in Israel. All have to be fed, clothed, housed, educated, jobs have to be found, and infrastructure has to be created to accommodate this huge influx. It has been and will continue to be an un-precedented humanitarian endeavor. The United States can take great pride in being an active participant in it.

What will loan guarantees cost the United States? Misinformation about the loan guarantees abounds. Israel requests *guarantees* - not loans or grants from the United States. It is equivalent to co-signing a note for a

friend. No money will be transferred to Israel from the United States Treasury. There will be some "scoring". But the ultimate cost to the United States will be zero.

In its 40-year history, Israel has never defaulted on a loan. The credit guarantees will not increase the U.S. deficit, nor will they affect domestic programs in any way. The United States routinely grants such loan guarantees. Iraq was granted a \$5 billion guarantee just a few months before the outbreak of the Gulf War; about \$600 billion in domestic guarantees and direct loans are expected to be granted by the U.S. within the next five years.

What's in it for the United States? The loan guarantees are essentially a humanitarian undertaking, without cost to the United States. But there will be

substantial tangible and measurable benefits for the United States. Economic activity in Israel, as a result of this immigration, is projected to cause a surge of \$170 billion in imports over the next five years, at least \$30 billion of which

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is projected to be purchased in the United States. In addition, the U.S. taxpayer will benefit to the tune of several billion dollars from the servicing of the debt, most of which will be placed with U.S. banks. About 70% of the approximately 250,000 housing units required to shelter the immigrants will be purchased in the United States, at a cost of not less than \$5 billion. All of this will create tens of thousands of new U.S. jobs and will most favorably impact on the U.S. foreign trade balance.

Israel's record as a major non-Nato ally is unique in a world of uncertainty and shifting alliances. To try to "strong-arm" Israel, to attempt to shape its internal policies or the composition of its government, to frustrate the absorption process of the migrants from the former Soviet Union and to hold them as hostages to U.S. policy purposes is unworthy of our country and not in its national interest. "Linkage" with the loan guarantees is bound to undermine the peace process by reinforcing the Arab perception that the U.S. has retreated from its role as an honest broker. The Israel-Arab peace process constitutes a remarkable achievement of U.S. diplomacy. Any attempted "linkage" should not be allowed to endanger or to scuttle it.

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